

Independent Auditors' report of

COMMONWEALTH BREWERY LIMITED

Year ended December 31, 2022

COMMONWEALTH BREWERY LIMITED

Consolidated Financial Statements

Year ended December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Commonwealth Brewery Limited:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Commonwealth Brewery Limited** (the Company) and its subsidiaries collectively, (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matters | Summary of the Key Audit Matters | How the scope of our audit responded to the Key Audit Matters |
|--|--|--|
| Impairment of Goodwill | As at December 31, 2022, the Group carried goodwill of \$4,487,242 in the consolidated statement of financial position and is subject to an annual impairment test, the details of which are set out in Note 9. Management’s annual impairment assessment is considered to be a matter of key significance because the assessment process is complex and relies on significant estimates and assumptions. Management determines assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development. The details on the accounting for goodwill and disclosure requirements under IAS 36 Impairment of assets are included in Notes 3 and 9 to the consolidated financial statements. | In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by management. We performed various procedures, including the following: <ul style="list-style-type: none"> • We assessed the Group’s design and implementation of controls relating to the preparation of the cash flow forecasts. • We tested key inputs into the cash flow forecast against historical performance and in comparison to the management’s strategic plans. • We compared the growth rates used to historical data regarding economic growth rates. • We involved a fair value specialist to assist with the testing of the weighted average cost of capital (discount rate) and inflation rate used by management in the goodwill impairment testing. • We performed sensitivity analyses on the growth rates and discount rates to evaluate the extent of impact on the value in use and the appropriateness of management’s disclosures. |
| Implementation of Point of Sale (POS) application | During the year, the Group implemented a retail management application system for its stores. The implementation of the application system introduced risks related to change management and interface controls. | In evaluating the new system implementation, we involved information technology specialists to understand the controls over change management and interface controls. We also assessed whether revenue, cost of sales and related transactions were appropriately interfaced from the retail management application system to the general ledger. |

Other Information

Management and those charged with governance are responsible for the Other Information. The Other Information comprises all the information in the Group’s 2022 Annual Report other than the consolidated financial statements and our auditors’ report thereon (the Other Information). The Annual Report is expected to be made available to us after the date of this auditors’ report.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above when it becomes available and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is S. Tshombe Godet.



Nassau Bahamas
April 30, 2023

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Financial Position

As at December 31, 2022, with corresponding figures for 2021
(Expressed in Bahamian dollars)

| | Note(s) | 2022 | 2021 |
|---------------------------------------|---------|----------------|-------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 4 | \$ 10,783,179 | 12,333,392 |
| Trade receivables, net | 5 | 3,491,290 | 3,528,302 |
| Prepaid expenses and other assets | 6 | 6,403,972 | 5,723,037 |
| Inventories | 7 | 26,418,447 | 21,060,072 |
| Total current assets | | 47,096,888 | 42,644,803 |
| Non-current assets: | | | |
| Right of use asset | 8 | 8,972,772 | 7,842,602 |
| Property, plant and equipment | 10 | 41,520,503 | 43,515,336 |
| Goodwill | 9 | 4,487,242 | 4,487,242 |
| Other intangible assets | 11 | 1,878,085 | 1,697,985 |
| Total non-current assets | | 56,858,602 | 57,543,165 |
| Total assets | | \$ 103,955,490 | 100,187,968 |
| Liabilities and equity | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 12 | \$ 16,318,479 | 16,465,270 |
| Short-term Lease Liability | 24 | 2,440,283 | 2,063,364 |
| Loans and borrowings | 13 | - | 4,999,995 |
| Total current liabilities | | 18,758,762 | 23,528,629 |
| Non-current liabilities: | | | |
| Long-term Lease liability | 24 | 6,951,632 | 6,093,743 |
| Total liabilities | | 25,710,394 | 29,622,372 |
| Equity: | | | |
| Share capital | 14 | 150,000 | 150,000 |
| Share premium | | 12,377,952 | 12,377,952 |
| Contributed surplus | | 16,351,369 | 16,351,369 |
| Revaluation surplus | 10 | 9,284,462 | 9,284,462 |
| Retained earnings | | 40,081,313 | 32,401,813 |
| Total equity | | 78,245,096 | 70,565,596 |
| Total liabilities and equity | | \$ 103,955,490 | 100,187,968 |

These consolidated financial statements were approved for issue on behalf of the Board of Directors on 29 April, 2023 by:



Director



Director

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in Bahamian dollars)

| | Note(s) | | 2022 | 2021 |
|---|---------|----|-------------|--------------|
| Income: | | | | |
| Revenue | 25 | \$ | 134,989,917 | 116,788,708 |
| Excise | | | (9,677,692) | (11,472,723) |
| Net revenue | | | 125,312,225 | 105,315,985 |
| Operating expenses: | | | | |
| Raw materials, consumables and services | 18 | | 85,070,125 | 70,969,479 |
| Personnel costs | 19 | | 19,251,892 | 17,444,024 |
| Depreciation | 10 | | 6,450,587 | 6,624,393 |
| Amortisation | 11 | | 457,636 | 420,567 |
| Total operating expenses | | | 111,230,240 | 95,458,463 |
| Other income/(expenses) | 17 | | 232,612 | (975,799) |
| Results from operating activities | | | 14,314,597 | 8,881,723 |
| Finance expenses | | | 635,097 | 676,913 |
| Total net profit | 20, 25 | \$ | 13,679,500 | 8,204,810 |
| Other comprehensive income | | | | |
| Gain (Loss) on revaluation of property | 10 | | - | 1,200,000 |
| Total net profit and comprehensive income | | | 13,679,500 | 9,404,810 |
| Basic and diluted earning per share | 20 | \$ | 0.46 | 0.27 |

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in Bahamian dollars)

| | | Share Capital | Share premium | Contributed Surplus | Revaluation surplus | Retained earnings | Total equity |
|---|---------|---------------|---------------|---------------------|---------------------|-------------------|--------------|
| Balance as at 31 December 2020 | \$ | 150,000 | 12,377,952 | 16,351,369 | 8,084,462 | 24,197,003 | 61,160,786 |
| Profit | | - | - | - | - | 8,204,810 | 8,204,810 |
| Revaluation Loss (note 10) | | | | | 1,200,000 | | 1,200,000 |
| Balance as at 31 December 2021 | | 150,000 | 12,377,952 | 16,351,369 | 9,284,462 | 32,401,813 | 70,565,596 |
| Profit | | - | - | - | - | 13,679,500 | 13,679,500 |
| Transactions with owners recorded directly to equity | | | | | | | |
| Dividends declared \$0.20 per share | Note 21 | - | - | - | - | (6,000,000) | (6,000,000) |
| Balance at December 31, 2022 | | 150,000 | 12,377,952 | 16,351,369 | 9,284,462 | 40,081,313 | 78,245,096 |

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in Bahamian dollars)

| | Note(s) | 2022 | 2021 |
|--|---------|---------------|-------------|
| Cash flows from operating activities | | | |
| Net income | | \$ 13,679,500 | 8,204,810 |
| Adjustments for: | | | |
| Depreciation | 10 | 6,450,587 | 6,624,393 |
| Amortisation | 11 | 457,636 | 420,567 |
| Impairment loss recognized on cash and cash equivalents and trade receivables | 18 | 1,120,425 | 239,694 |
| Loss on disposal of property, plant and equipment | | - | 246,827 |
| Finance expense | | 635,097 | 676,913 |
| Net cash from operations before changes in working capital | | 22,343,245 | 16,413,204 |
| Changes in non-cash working capital | 22 | (7,094,236) | 571,590 |
| Net cash from operating activities | | 15,249,009 | 16,984,794 |
| Cash flows from financing activities | | | |
| Dividends paid | 21 | (6,000,000) | - |
| Other Financing cost - stamp duty | 21 | (71,333) | - |
| Repayment of loans and borrowings | | (4,999,995) | (4,026,590) |
| Interest paid | | (635,097) | (676,913) |
| Net cash used in financing activities | | (11,706,425) | (4,703,503) |
| Cash flow from investing activities | | | |
| Additions to property, plant and equipment | 10 | (2,124,290) | (2,847,944) |
| Additions to intangible assets | 11 | (637,736) | (160,764) |
| Repayment of lease liability | | (2,331,465) | (2,548,581) |
| Proceeds from sale of property, plant and equipment | 17 | 694 | 9,816 |
| Net cash used in investing activities | | (5,092,797) | (5,547,473) |
| Net (decrease)/increase in cash and cash equivalents | | (1,550,213) | 6,733,818 |
| Cash and cash equivalents, beginning of year | | 12,333,392 | 5,599,574 |
| Cash and cash equivalents, end of year | 4 | 10,783,179 | 12,333,392 |

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

1. General information

Commonwealth Brewery Limited (“CBL” or “the Company”) was incorporated under the laws of The Commonwealth of The Bahamas on November 17, 1983 and commenced trading in March 1987. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). Details of the principal subsidiaries are set out in note 23 to the consolidated financial statements.

The principal activity of the Group is the production of alcoholic and non-alcoholic beverages, liquor importation, distribution and sales.

The Group’s registered office is located at Clifton Pier, Nassau, Bahamas.

The Group is a subsidiary of Heineken International B.V. (“Heineken” or “the Parent”). Heineken is incorporated under the laws of The Netherlands and its corporate office is located at Tweede Weteringplantsoen 21, 1017 ZD, P. O. Box 28, 1000 AA Amsterdam, The Netherlands. The ultimate parent of CBL is Heineken N.V. located at the same address. 75% of shares of the Group are owned by Heineken and remaining 25% are owned by the Bahamian public.

2. New and revised international financial reporting standards (IFRS)

2.1 New and revised IFRSs in issue but not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the consolidated financial statements of the Group.

| | | |
|---|---|-----------------|
| IFRS 17 | Insurance Contracts | January 1, 2023 |
| IFRS 3 | Reference to the Conceptual Framework | January 1, 2022 |
| IAS 1 | Classification of Liabilities as Current Or Non-Current | January 1, 2023 |
| Annual Improvements to IFRS Standards 2018–20 Cycle | Amendments to IFRS 1 First-time Adoption of IFRS, IFRS 9, IFRS 16, IAS 41 | January 1, 2022 |
| IFRS 10 | IFRS 10 Consolidated Financial Statements | (*) |
| IAS 28 | IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | (*) |
| Amendments to IFRS 16 | Proceeds before Intended Use | January 1, 2022 |

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

2. New and revised international financial reporting standards (IFRS) *(continued)*

2.2 New and revised IFRSs in issue but not yet effective *(continued)*

| | | |
|----------------------|--|----------------|
| Amendments to IAS 37 | Onerous Contracts - Cost of Fulfilling a Contract | January 1 2022 |
| Conceptual Framework | Amendments to References to the Conceptual Framework in IFRS Standards | January 1 2022 |

(*) The IASB decided in September 2014 to defer the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

3. Significant accounting policies

Following is a summary of the significant accounting policies which have been applied consistently by the Group in preparing these consolidated financial statements.

(a) *Statement of compliance*

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) *Basis of preparation*

These consolidated financial statements are prepared under the historical cost convention, except for land and buildings included in property, plant and equipment, which are carried at revalued amounts.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurement are categorised into Level 1, 2, 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

(c) *Basis of consolidation*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group. All intragroup assets and liabilities, equity, income and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The carrying amount of non-controlling interests is the amount of these interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interests even if it results in the non-controlling interests having a deficit balance.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

(d) *Functional and presentation currency*

These consolidated financial statements are presented in Bahamian dollars, the Group's functional and reporting currency. The Bahamian dollar is the currency of the country where the Group entities are domiciled and is the prime operating currency.

Transactions in foreign currencies are translated into Bahamian dollars at exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in such currencies at the year-end date are translated at the rates prevailing at that date.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

Any differences arising on translation are recognised as exchange gains/losses within other income in the consolidated statement of profit or loss and other comprehensive income.

(e) *Use of estimates and judgements*

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about critical judgements in applying accounting policies and estimates that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

| | |
|-----------|--|
| Note 3(l) | Impairment |
| Note 3(p) | Provisions |
| Note 7 | Inventories |
| Note 9 | Goodwill |
| Note 10 | Property, plant and equipment |
| Note 24 | Lease Liability |
| Note 15 | Commitments and contingencies |
| Note 24 | Financial instruments and associated risks |

(f) *Financial instruments*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

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(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(f) *Financial instruments (continued)*

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Classification as financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Recognition

The Group recognises financial instruments initially at the trade date, which is the date when it becomes a party to the contractual provisions of the instruments.

Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, financial assets and financial liabilities not at fair value through profit or loss are carried at amortised cost using the effective interest method, less in the case of financial assets, impairment losses, if any.

Derecognition

The Group derecognises a financial asset when the contractual rights for cash flows from the financial asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

(g) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and cash held with banks.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies (*continued*)

(h) *Trade receivable*

Trade receivables are stated at amortised cost net of an allowance for doubtful debts. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime Expected Credit Losses. The Expected Credit Losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

(i) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an allocation of those production overhead costs based on normal operating capacity, that relate to bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision for obsolescence is established when management determines the net realisable value of the inventories to be less than cost.

(j) *Property, plant and equipment*

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, except land and buildings, which are carried at revalued amounts.

The directors review the carrying value annually. Whenever the directors determine that the carrying value differs materially from the fair value, an independent valuation is obtained, and the land and buildings are revalued.

The surplus on revaluation is recorded in other comprehensive income, in the revaluation surplus account, and is transferred to retained earnings when the revalued asset is derecognised. When an item of property, plant and equipment is revalued, accumulated depreciation is eliminated against the gross carrying amount of the asset.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(j) *Property, plant and equipment (continued)*

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in the consolidated statement of profit or loss and other comprehensive income.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amounts substituted for cost, less its residual value.

Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of the items of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives. No depreciation is charged on land and capital work in progress.

The estimated useful lives of property, plant and equipment are as follows:

| | |
|---------------------------------------|----------------|
| Buildings | 15 to 40 years |
| Plant and machinery | 5 to 30 years |
| Furniture, fixtures and equipment | 3 to 25 years |
| Vehicles and transportation equipment | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted, if necessary.

(k) *Goodwill and intangible assets*

Goodwill

Goodwill is carried at cost less accumulated amortisation and impairment losses, if any. Goodwill arose on the acquisition of the Group's 100% ownership interest in Butler & Sands Company Limited and its subsidiaries in the year 2000 and represents the excess of the cost of acquisition over the net fair value of the identifiable assets and liabilities of Butler & Sands Company Limited and its subsidiaries recognised at the date of acquisition less accumulated amortisation thereon to December 31, 2004, at which time amortisation ceased and goodwill was deemed to have an indefinite useful life. Thereafter, goodwill is tested for impairment annually.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(k) *Goodwill and intangible assets (continued)*

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The computer software is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is computed on the straight-line method over an estimated useful life of up to five years.

(l) *Impairment*

Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated each year at the same time. An impairment loss is recognised if the carrying amount of the asset or its related cash generating unit ("CGU") exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use represents the present value of estimated future cash flows expected arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income except for revalued assets where the impairment loss is first applied to the revaluation surplus and any excess is recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill associated with the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

(l) *Impairment (continued)*

Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised except for assets normally carried at revalued amounts.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(m) *Related parties*

A related party is a person or entity that is related to the entity that is preparing its financial statements (“reporting entity”).

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) Has control or joint control over the reporting entity;
 - (ii) Has significant influence over the reporting entity; or
 - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
 - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

(n) *Leases*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(n) *Leases (continued)*

Lease payments included in the measurement of the lease liability comprise:

- (i) Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- (ii) Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- (iii) The amount expected to be payable by the lessee under residual value guarantees;
- (iv) The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- (v) Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- (i) The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- (ii) The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- (iii) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

4. Significant accounting policies (*continued*)

(n) *Leases (continued)*

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

(o) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity.

(p) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies (*continued*)

(q) *Foreign currencies*

Transactions in foreign currencies are translated into Bahamian dollars at exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in such currencies at the year-end date are translated at the rates prevailing at that date.

Any differences arising on translation are recognised as exchange gains/losses within other income in the consolidated statement of profit or loss and other comprehensive income.

(r) *Revenue recognition*

Products sold

The majority of the Group's revenue is generated by the sale and delivery of products to customers. The product portfolio of the Group mainly consists of beer, soft drinks, spirits and tobacco.

Products are own-produced finished goods from the Group's brewing activities, but also contain purchased goods for resale from the Group's wholesale and retail activities. The Group's customer group can be split between on-trade customers like restaurants and bars and off-trade customers like retailers and wholesalers. Revenue is recognised when control over products has transferred its performance obligation has been fulfilled to the customer. For the majority of the sales, control is transferred either at delivery of the products or upon pickup by the customer from the Group's premises.

Revenue recognized is based on the price specified in the contract, net of returns, discounts, sales taxes and excise taxed collected on behalf of third parties.

Services

Revenue from services, which is included in miscellaneous income, is recognised in the consolidated statement of profit or loss and other comprehensive income when the services are rendered.

Customer loyalty programme

The Group operates a loyalty programme through which retail customers accumulate points on purchases of qualified goods that entitle them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the goods (i.e. a material right). The promise to provide the discount to the customer is therefore a separate performance obligation.

The transaction price is allocated between the product, and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers. Loyalty points earned during the period expire by February of the subsequent period.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(s) ***Employee benefits***

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to the fund. The Group has no legal or constructive obligation to pay further contributions. Contributions to the Group's defined contribution pension plans are recognised as an employee benefit expense in the consolidated statement of profit or loss and other comprehensive income in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

(t) ***Finance income***

Finance income is accrued on a daily basis using the effective interest rate method.

(u) ***Earnings per share***

Earnings per share are based on consolidated net income divided by the weighted average number of ordinary shares outstanding during the year.

(v) ***Dividends***

Dividends are recognised as a liability in the period in which they are declared.

(w) ***Operating segments***

Business segments are components of an enterprise about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance.

Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

For management purposes, the Group is currently organised into two business segments: (i) Wholesale and (ii) Retail. These divisions are the basis on which the Group reports its operating segment information.

(x) ***Value Added Tax (VAT)***

On 1 January 2015, the Bahamas Government implemented a consumer VAT. Output VAT related to the sale of goods is payable to the Government upon delivery of goods and property rights to customers. Input VAT related to goods and services purchased is generally recoverable against output VAT. It is presented net on the Consolidated Statement of Financial Position as it is off set and settled on a net basis.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

3. Significant accounting policies (continued)

(y) Share based payment plan (LTIP)

HEINEKEN's share-based compensation plans are equity-settled share rights granted to the Executive Board and senior management. The grant date fair value is calculated by deducting expected foregone dividends from the grant date during the performance period share price. The costs of the share plans are adjusted for expected performance and forfeiture and spread evenly over the service period.

Share-based compensation expenses are recorded in the profit or loss, with a corresponding adjustment to equity.

4. Cash and cash equivalents

| | | 2022 | 2021 |
|---------------------------|----|------------|------------|
| Cash on hand | \$ | 89,001 | 107,521 |
| Cash held with banks | | 10,694,178 | 12,225,871 |
| Cash and cash equivalents | \$ | 10,783,179 | 12,333,392 |

The cash and cash equivalents balance is presented net of expected credit loss of \$566,964.

The Group has an unsecured overdraft facility of \$3,000,000 for the operating account. As the Bank has the ability to offset with all accounts within the relationship, the balance is presented net of the used facility.

5. Trade receivables, net

| | | 2022 | 2021 |
|------------------------------|----|-------------|-------------|
| Trade receivables, gross | \$ | 5,368,536 | 4,838,258 |
| Allowance for doubtful debts | | (1,877,246) | (1,309,956) |
| | \$ | 3,491,290 | 3,528,302 |

Aging analysis of trade receivables, gross, as at December 31, 2022:

| December 31st 2022 | Not past due 0-30 days | 31-180 day | > 180 days | Total | |
|--|------------------------|------------|------------|-------------|-------------|
| Expected Credit Loss Rate | 0% | 31% | 61% | 88% | |
| Estimated total gross carrying amount at default | 2,314,351 | 1,189,885 | 473,680 | 1,390,620 | 5,368,536 |
| Lifetime ECL | - | (365,680) | (291,146) | (1,220,420) | (1,877,246) |

| December 31st 2021 | Not past due 0-30 days | 31-180 day | > 180 days | Total | |
|--|------------------------|------------|------------|-------------|-------------|
| Expected Credit Loss Rate | 0% | 6% | 80% | 85% | |
| Estimated total gross carrying amount at default | 2,049,792 | 1,346,333 | 114,149 | 1,327,984 | 4,838,258 |
| Lifetime ECL | - | (83,635) | (91,319) | (1,135,002) | (1,309,956) |

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

5. Trade receivables, net *(continued)*

Allowance for expected credit losses and movement in allowance for doubtful accounts is as follows:

| | 2022 | 2021 |
|--------------------------------------|--------------|-----------|
| Balance at beginning of the year | \$ 1,309,956 | 1,048,594 |
| Increase in allowance | 567,290 | 261,362 |
| Amounts written off as uncollectible | - | - |
| Balance at end of the year | \$ 1,877,246 | 1,309,956 |

Maximum exposure to credit risk for trade receivables at December 31, by geographic region:

| | 2022 | 2021 |
|--------------------------|--------------|-----------|
| The Bahamas | \$ 5,296,176 | 4,759,153 |
| Caribbean | - | - |
| Europe | 72,360 | 79,105 |
| United States of America | - | - |
| | \$ 5,368,536 | 4,838,258 |

6. Prepaid expenses and other assets

| | 2022 | 2021 |
|------------------------------|--------------|-----------|
| Other receivables | \$ 4,397,981 | 3,708,970 |
| Prepaid expenses | 2,011,182 | 2,019,258 |
| | 6,409,163 | 5,728,228 |
| Allowance for doubtful debts | (5,191) | (5,191) |
| | \$ 6,403,972 | 5,723,037 |
| | 6,403,972 | 5,723,037 |

Movement in the allowance for doubtful accounts created for other receivables is as follows:

| | | |
|----------------------------------|----------|-------|
| Balance at beginning of the year | \$ 5,191 | 5,191 |
| Reversal of allowance | - | - |
| Balance at end of the year | \$ 5,191 | 5,191 |

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

7. Inventories

| | 2022 | 2021 |
|-----------------------------|---------------|------------|
| Goods bought for resale | \$ 15,987,495 | 13,862,910 |
| Raw materials and packaging | 7,490,692 | 4,612,051 |
| Finished goods | 1,426,064 | 1,440,009 |
| Work-in-progress | 544,502 | 504,601 |
| Spare parts | 1,710,025 | 1,108,172 |
| Other stock items | 173,114 | 67,917 |
| | 27,331,892 | 21,595,660 |
| Provision for obsolescence | (913,445) | (535,588) |
| | \$ 26,418,447 | 21,060,072 |

Movement in the provision for obsolescence:

| | 2022 | 2021 |
|------------------------------|------------|----------|
| Balance at beginning of year | \$ 535,588 | 601,994 |
| Increase in provision | 377,857 | - |
| Decrease in provision | - | (66,406) |
| Balance at end of year | \$ 913,445 | 535,588 |

As outlined in note 18, the cost of inventories recognized as an expense during the year was \$59,551,003 (2021: \$50,986,301).

8. Right of Use (ROU) assets

The group leases stores, an office, and cars in the ordinary course of business. Many leases contain extension and termination options, which are included in the lease term if the Group is reasonably certain to exercise an extension option and reasonably certain not to exercise a termination option. Refer to the table below for the carrying amount of ROU assets per asset class per balance sheet date:

| Right of use (ROU) assets | 2022 | 2021 |
|----------------------------------|---------------------|------------------|
| Real estate | \$ 8,520,406 | 7,507,404 |
| Motor vehicles | 452,366 | 335,198 |
| Carrying amount ROU assets | \$ 8,972,772 | 7,842,602 |

| Depreciation of ROU assets | 2022 | 2021 |
|-----------------------------------|---------------------|------------------|
| Real estate | \$ 2,005,343 | 2,102,216 |
| Motor vehicles | 326,121 | 446,365 |
| Carrying amount ROU assets | \$ 2,331,464 | 2,548,581 |

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

9. Goodwill

Goodwill comprises the following:

| | 2022 | 2021 |
|--|-----------|-----------|
| Balance at the beginning and end of year | 4,487,242 | 4,487,242 |

Goodwill is tested for impairment annually. The recoverable amount of the Cash Generating Unit (“CGU”) which includes the goodwill is based on a value in use calculation. The value in use has been determined by discounting the future cash flows generated from the continuing use of the CGU.

The key assumptions used for the value in use calculations are as follows:

- Cash flows are projected based on actual operating results and the annual plan. Cash flows for a further five-year period are projected using expected annual growth rates.
- Cash flows after the first five years were projected using growth rate, based on internal sources, in order to calculate the terminal recoverable amount.
- Weighted average cost of capital (“WACC”) is applied in determining the recoverable amount of the CGU.

The WACC and expected growth rate are as follows:

| | 2022 | 2021 |
|----------------------|--------|-------|
| WACC | 13.00% | 9.00% |
| Expected growth rate | 2.00% | 2.00% |

The values assigned to the key assumptions represent management’s assessment of future trends in the wine & spirits industry and are based on both external and internal sources (historical data). The directors believe that any reasonable possible change in key assumptions on which recoverable amounts are based will not lead to a materially different outcome. Based on the value in use calculation management has determined that there has not been any impairment in the carrying amount of goodwill as at 31 December, 2022 and 2021.

Sensitivity Analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGU to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGU.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

10. Property, plant and equipment

| | Land | Buildings | Plant and machinery | Furniture, fixtures and equipment | Vehicle and transportation equipment | Capital work in progress | Total |
|----------------------------------|-----------|------------|---------------------|-----------------------------------|--------------------------------------|--------------------------|-------------|
| Cost/revalued amount: | | | | | | | |
| Balance at December 31, 2020 | 6,740,000 | 23,803,257 | 41,086,048 | 24,292,966 | 1,769,453 | 931,350 | 98,623,074 |
| Revaluation | - | 1,200,000 | - | - | - | - | 1,200,000 |
| Additions | - | 126,200 | 76,228 | 533,813 | - | 2,111,703 | 2,847,944 |
| Transfers | - | - | - | 105,409 | - | (105,409) | - |
| Write offs | - | - | (31,153) | (74,708) | (70,706) | (153,943) | (330,510) |
| Balance at December 31, 2021 | 6,740,000 | 25,129,457 | 41,131,123 | 24,857,480 | 1,698,747 | 2,783,701 | 102,340,508 |
| Revaluation | - | - | - | - | - | - | - |
| Additions | - | 531,251 | 529,046 | 593,016 | 77,612 | 393,365 | 2,124,290 |
| Transfers | - | 866,184 | 160,672 | 624,585 | - | (1,651,440) | - |
| Write offs/reclass | - | - | - | - | - | - | - |
| Balance at December 31, 2022 | 6,740,000 | 26,526,892 | 41,820,841 | 26,075,081 | 1,776,359 | 1,525,626 | 104,464,798 |
| Accumulated depreciation: | | | | | | | |
| Balance at December 31, 2020 | - | 2,943,257 | 32,379,019 | 17,980,779 | 1,529,988 | - | 54,833,043 |
| Depreciation | - | 895,174 | 1,181,960 | 1,894,849 | 103,827 | - | 4,075,810 |
| Write offs | - | - | - | (15,590) | (68,091) | - | (83,681) |
| Balance at December 31, 2021 | - | 3,838,431 | 33,560,979 | 19,860,038 | 1,565,724 | - | 58,825,172 |
| Depreciation | - | 902,669 | 1,132,800 | 2,010,379 | 73,275 | - | 4,119,123 |
| Balance at December 31, 2022 | - | 4,741,100 | 34,693,779 | 21,870,417 | 1,638,999 | - | 62,944,295 |
| Net book value:- | | | | | | | |
| December 31, 2022 | 6,740,000 | 21,785,792 | 7,127,062 | 4,204,664 | 137,360 | 1,525,626 | 41,520,503 |
| December 31, 2021 | 6,740,000 | 21,291,026 | 7,570,144 | 4,997,442 | 133,023 | 2,783,701 | 43,515,336 |

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(Expressed in Bahamian dollars)

10. Property, plant and equipment *(continued)*

| Depreciation | 2022 | 2021 |
|----------------------------|--------------|--------------|
| Depreciation of PPE | \$ 4,119,123 | \$ 4,075,812 |
| Depreciation of ROU assets | 2,331,464 | 2,548,581 |
| | 6,450,587 | 6,624,393 |

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the properties' revaluation reserve will not be reclassified subsequently to profit or loss. The directors do not intend to make any distribution from the properties revaluation reserve per Group policy.

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. The latest revaluation of land and buildings was performed as at 31 December, 2021 by a qualified independent appraiser, using the income approach at a discount rate ranging from 11% to 12%. There is no gain/loss on revaluation in 2022 [2021: (\$1,200,000)].

The fair value of land and buildings are included in Level 3 at the end of the reporting period. There were no transfers between the hierarchy Levels during the year. The gain of nil (2021: \$1,200,000) from the revaluation of land and buildings was recognized in other comprehensive income.

There are no capital commitments on work in progress projects.

Had there been no revaluation, the carrying value of land would have been \$6,690,449 (2021: \$6,690,449) and of buildings would have been \$21,309,192 (2021: \$23,824,162).

11. Other intangible assets

Intangible assets consist of computer software as follows:

| | 2022 | 2021 |
|----------------------------------|-----------|-----------|
| Cost: | | |
| Balance at January 1 | 6,136,732 | 5,975,968 |
| Additions | 637,736 | 160,764 |
| Balance at December 31 | 6,774,468 | 6,136,732 |
| Accumulated amortisation: | | |
| Balance at January 1 | 4,438,747 | 4,018,180 |
| Amortisation | 457,636 | 420,567 |
| Balance at December 31 | 4,896,383 | 4,438,747 |
| Net book value: | 1,878,085 | 1,697,985 |

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

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(Expressed in Bahamian dollars)

12. Accounts payable and accrued expenses

Accounts payable and accrued expenses comprise the following:

| | 2022 | 2021 |
|------------------------------------|------------|------------|
| Accounts payable - third parties | 8,953,433 | 8,721,538 |
| Accounts payable - related parties | 1,915,436 | 4,350,514 |
| Accrued expenses | 5,449,609 | 3,393,218 |
| | 16,318,479 | 16,465,270 |

13. Loans and borrowings

The Group has no principal bank loan outstanding (2021: \$5,000,000) at December 31, 2022.

14. Share capital

Authorised, issued and fully paid share capital at December 31, 2022 and 2021:

| | No. of shares | Amount |
|---------------------------------|---------------|------------|
| Ordinary shares of \$0.005 each | 30,000,000 | \$ 150,000 |

15. Commitments and contingencies

Other commitments and contingencies

At December 31, 2022 the Group was contingently liable under customs bond guarantees of \$1,888,417 (2021: \$1,628,906). These facilities are under joint and several liability of the Group in favor of each other.

As at 31 December, 2022 the Group was contingently liable to the Department of Inland Revenue on their assessment of intra-company stock transfers between its subsidiaries for Business Licence purposes. The Group was assessed \$560,403 (2017) and \$596,003 (2016) and a Bank Guarantee was issued pending the outcome of arbitration. The matter is still pending as of the date of issuance.

Pending Litigation

Legal proceedings are pending against the Group in the ordinary course of business. Management considers that the aggregate liability resulting from these proceedings will not be material.

Corporate Credit Cards

At December 31, 2022 the Group had Corporate Credit Card issued to the Management Team of \$75,000 in collective credit.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

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16. Balances and transactions with related parties

For the purpose of this note, affiliates include other Heineken group entities and directors. Additional related party transactions are disclosed in other notes to the consolidated financial statements.

| | 2022 | 2021 |
|---|-----------|-----------|
| <i>Balances with the Parent</i> | | |
| Trade receivables, net (note 5) | 72,360 | 79,105 |
| Accounts payable and accrued expenses (note 12) | 1,443,313 | 4,029,614 |
| <i>Transactions with the Parent</i> | | |
| Know-how fee (note 18) | 481,348 | 417,224 |
| IT related and other fee (note 18) | 1,983,502 | 2,092,361 |
| Royalties (note 18) | 249,532 | 205,588 |
| <i>Balances with affiliates</i> | | |
| Accounts payable and accrued expenses (note 12) | 390,214 | 320,900 |
| Royalties (note 12) | 81,909 | - |
| <i>Transactions with affiliates</i> | | |
| IT related fee and other fee (note 18) | 379,993 | - |
| Supply chain fee (note 18) | 157,272 | 365,704 |
| Director's fee (note 18) | 42,000 | 42,000 |

Know-how fee

Effective May 18, 2010, the Group entered into an agreement with the Parent to pay 0.4% per annum of revenue to Heineken as a know-how fee. Related payments are made and/or accrued for in the normal course of business.

Royalties

Royalties are calculated as a percentage of revenue and are payable to the Parent based on the relevant agreement. Related payments are made and/or accrued for in the normal course of business.

Purchase of inventories, IT related fee and supply chain fee

The Group sources certain inventories from its affiliates. IT related fee, supply chain fee and other fee are charged by Heineken and other Heineken group entities as incurred and are included in other expenses (see note 18). Related payments are made and/or accrued for in the normal course of business.

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(Expressed in Bahamian dollars)

16. Balances and transactions with related parties *(continued)*

Compensation of key management personnel

Compensation of key management personnel for the year ended 31 December 2022 comprised \$1,850,308 (2021: \$1,062,145) for salaries and other short-term benefits and \$ 28,760 (2021: \$17,158) for pension benefits.

Included in key management costs are costs relating to a Long-Term Incentive Plan. This is a share-based plan which provides senior employees with Heineken N.V. shares based on the performance of the Heineken Group as a whole. The amount recognized amounted to \$109,047 (2021: \$101,456).

17. Other income/(expense), net

| | 2022 | 2021 |
|---|------------|-------------|
| Miscellaneous income/(expense) | \$ 53,156 | \$ (80,784) |
| Exchange gain/(loss) | 178,762 | (904,831) |
| Gain on disposal of property, plant and equipment | 694 | 9,816 |
| | \$ 232,612 | \$(975,799) |

18. Raw materials, consumables and services

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Cost of inventories (including related import duties) | 59,551,003 | 50,986,301 |
| Other expenses | 4,603,921 | 3,329,381 |
| Distribution & Marketing expenses | 3,747,230 | 2,696,178 |
| IT expenses | 2,232,743 | 1,869,287 |
| Occupancy expenses | 2,219,896 | 1,561,514 |
| Utilities | 2,129,868 | 1,732,596 |
| Royalties | 1,841,400 | 1,768,771 |
| Duties and taxes | 1,818,928 | 1,287,153 |
| Repairs & Maintenance | 1,760,560 | 1,537,472 |
| Bank charges | 1,531,775 | 1,427,038 |
| Bad debt expense | 1,120,425 | 239,694 |
| Insurance | 1,113,557 | 1,170,975 |
| Security services | 919,231 | 945,895 |
| Know-how fee | 479,588 | 417,224 |
| | 85,070,125 | 70,969,479 |

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19. Employee pension plans

In 1997, the Group commenced a defined contribution pension plan. In accordance with the terms of the plan both employer and employees are required to contribute 5% (2021: 5%) of the participants' earnings to the plan. Employees are permitted to make additional contributions in order to increase their retirement benefits. The Group's contribution net of forfeitures to the plan included in personnel costs was \$427,228 (2021: \$374,684).

Employees are eligible to become participants of the plan upon the completion of a probationary period, provided they have attained the age of 18 years. The plan is mandatory for all employees who joined the Group after 1 January 1997 and optional for those who joined prior to 1 January 1997.

20. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the consolidated net income divided by the weighted average number of ordinary shares outstanding during the year.

| | 2022 | 2021 |
|--------------------------------------|---------------|------------|
| Net income | \$ 13,679,500 | 8,204,810 |
| Weighted average number of shares | 30,000,000 | 30,000,000 |
| Basic and diluted earnings per share | \$ 0.46 | 0.27 |

21. Dividends

Dividends declared by the Group amounted to \$6,000,000 (2021: \$nil). Dividends declared are based on basic earnings per share rounded to two decimal places.

The Group paid stamp duties and other financing costs of \$71,333 (2021: \$nil) related to the distribution of dividends.

22. Changes in working capital

| | 2022 | 2021 |
|--|-------------|-------------|
| Increase in trade receivables | (530,278) | (758,817) |
| (Increase)/decrease in prepaid expenses and other assets | (680,935) | 752,832 |
| (Increase)/decrease in inventory | (5,736,232) | 2,970,020 |
| Decrease in accounts payable and accrued expenses | (146,791) | (2,392,445) |
| | (7,094,236) | 571,590 |

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23. Principal subsidiary

The following significant operating subsidiary, which is incorporated in The Bahamas, is owned by the Group. This subsidiary currently holds real-estate contracts.

| | <i>Percentage (%) Owned</i> | |
|---------------------------------------|-----------------------------|------|
| | 2022 | 2021 |
| Todhunter-Mitchell Distillers Limited | 100 | 100 |

24. Financial instruments and associated risks

The Board of Directors has established a risk management framework whose primary objective is to protect the Group from events that hinder the sustainable achievement of the Group's performance objectives.

There are a number of risks inherent in the drinks industry that the Board has identified and manages on an ongoing basis. Among these risks, the more significant are market, credit and liquidity. In accordance with IFRS 7, Financial Instruments, the Group presents qualitative information about its exposure to risk and the objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout this note.

(a) *Market risk*

Market risk is the risk that future changes in market conditions such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) *Currency risk*

The Group is party to financial instruments or enters into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than the Bahamian dollar. Raw materials, packaging and finished products are purchased principally from Europe and are payable in Euros. The Group does not hedge against movements in foreign currency exchange rates.

The Group's total net liability exposure to fluctuations in foreign currency exchange rates (B\$ vs. Euro) at 31 December, 2022 was \$1,915,436 (2021: \$4,350,514).

The average exchange rate between the B\$ and the Euro was B\$1 = Euro 0.95 (2021: B\$1 = Euro 0.85). The spot rate at December 31, 2022 was B\$1 = Euro 0.94 (2021: B\$1 = Euro 0.88).

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24. Financial instruments and associated risks *(continued)*

Sensitivity analysis

A 10 percent strengthening of the B\$ against the Euro at 31 December 2022 would have increased equity and net income by approximately \$377,599 (2021: \$685,116). This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the B\$ against the Euro at December 31, 2022 would have had the equal but opposite effect on equity and net income of the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk refers to the risk of loss due to adverse movements in interest rates. The Group's interest rate risk arises from borrowings and its banking facilities. The Group manages its exposure to fluctuations in interest rates by linking its cost of borrowing to prevailing domestic or international interest rates.

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk is as follows:

| | | 2022 | 2021 |
|---------------------------------|----|------------|------------|
| Cash held with banks (note 4) | \$ | 10,694,178 | 12,225,871 |
| Trade receivables, net (note 5) | | 3,491,290 | 3,528,302 |
| Other receivables, net (note 6) | | 4,397,981 | 3,708,970 |
| Balance at end of the year | \$ | 18,583,449 | 19,463,143 |

Management actively monitors the aging of receivables and establishes an allowance as circumstances warrant. The Group does not anticipate any losses in excess of the allowance for doubtful accounts as a result of this exposure.

Cash at bank amounting to \$10,694,178 (2021: \$12,225,871) was deposited with regulated financial institutions. Accordingly, management considers this to bear minimal credit risk. The Group does not have a significant concentration of credit risk as it transacts and deals with various customers and counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities and other commitments when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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24. Financial instruments and associated risks *(continued)*

(c) Liquidity risk (continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

| | 0 - 12 Months | 1 - 5 Years | 5+ Years | Total | Carrying Amount |
|--|-------------------|------------------|------------------|-------------------|-------------------|
| Accounts payable and accrued liabilities | 16,318,479 | - | - | 16,318,479 | 16,318,479 |
| Short Term Liabilities | 2,440,283 | - | - | 2,440,283 | 2,440,283 |
| Long Term Lease Liabilities | - | 2,579,447 | 4,372,185 | 6,951,632 | 6,951,632 |
| Balance at December 31, 2022 | 18,758,762 | 2,579,447 | 4,372,185 | 25,710,394 | 25,710,394 |

| | 0 - 12 Months | 1 - 5 Years | 5+ Years | Total | Carrying Amount |
|--|-------------------|------------------|----------|-------------------|-------------------|
| Accounts payable and accrued liabilities | 16,465,270 | - | - | 16,465,270 | 16,465,270 |
| Loans and Borrowings | 4,999,995 | - | - | 4,999,995 | 4,999,995 |
| Short Term Liabilities | 2,063,364 | - | - | 2,063,364 | 2,063,364 |
| Long Term Lease Liabilities | - | 6,093,743 | - | 6,093,743 | 6,093,743 |
| Balance at December 31, 2021 | 23,528,629 | 6,093,743 | - | 29,622,372 | 29,622,372 |

25. Segment information

The Group has adopted IFRS 8, Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. This standard has been applied to all years presented in the consolidated financial statements. Information regarding the Group's reportable segments is presented below.

The Group's revenue from operations by reportable segment is as follows:

Segment revenue

| | 2022 | 2021 |
|-----------|--------------------|--------------------|
| Wholesale | 78,232,662 | 74,763,377 |
| Retail | 56,757,255 | 42,025,331 |
| | 134,989,917 | 116,788,708 |

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25. Segment information *(continued)*

The Group's net income by reportable segment is as follows:

| | 2022 | 2021 |
|-----------|------------|-----------|
| Wholesale | 7,797,315 | 5,561,851 |
| Retail | 5,882,185 | 2,642,959 |
| | 13,679,500 | 8,204,810 |

The Group's assets by reportable segment are as follows:

| | 2022 | 2021 |
|----------------------|-------------|-------------|
| Wholesale | 66,476,703 | 64,067,475 |
| Retail | 37,478,787 | 36,120,493 |
| Total segment assets | 103,955,490 | 100,187,968 |
| Unallocated | - | - |
| Total assets | 103,955,490 | 100,187,968 |

For the purposes of monitoring segment performance and allocating resources between segments, the only assets allocated by segment are trade and other receivables, inventories and property, plant & equipment.

The Group's liabilities by reportable segment are as follows:

| | 2022 | 2021 |
|-----------|------------|------------|
| Wholesale | 21,582,434 | 24,866,320 |
| Retail | 4,127,960 | 4,756,052 |
| | 25,710,394 | 29,622,372 |

The Group's additions to property, plant and equipment by reportable segment are as follows:

| | 2022 | 2021 |
|-----------|-----------|-----------|
| Wholesale | 1,932,346 | 2,590,613 |
| Retail | 191,944 | 257,331 |
| | 2,124,290 | 2,847,944 |

The Group's revenue from external customers by geographical location from operations from its major products and services are as follows:

| | 2022 | 2021 |
|---------------|-------------|-------------|
| Bahamas | 134,965,581 | 116,724,518 |
| United States | 24,336 | 64,190 |
| | 134,989,917 | 116,788,708 |

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25. Segment information *(continued)*

Included in revenues arising from direct sales from the Group's wholesale segment to its customers is \$10,091,350 (2021: \$8,622,578) which arose from sales to the Group's top five customers.

26. Fair values of financial instruments

The carrying values of financial assets and liabilities are considered to approximate their fair values due to the following reasons:

- (a) immediate or short-term maturity; and/or
- (b) interest rates approximate current market rates

The fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued expenses are not considered to be materially different from their carrying values due to their short-term nature.

27. Capital management

The Group is not subject to externally imposed capital requirements except that under The Companies Act 1992, the Group may not declare and pay a dividend if there are reasonable grounds for believing that:

- (a) the Group is unable or would, after the payment of dividends be unable to meet its liabilities as they become due; or
- (b) the realisable assets of the Group will be less than the sum of its total liabilities and outstanding share capital.

There were no changes in the Group's approach to capital management during the year.

With effect from 1 January 2011 the Group's policy is to distribute 100% of consolidated net income as dividends subject to the provisions of the The Companies' Act 1992 as outlined above. The frequency of the payout is at the discretion of the Board of Directors and is subject to approval at the annual shareholders' meeting.